Malaysian prime minister under bitter attack from predecessor

John Roberts
13 September 2006

In what has become a very public dispute, Malaysia's Prime Minister Abdullah Ahmad Badawi has been under sustained attack from his predecessor Mahathir Mohamad. The row erupted in April and threatens to open up divisions in the United Malays National Organisation (UMNO), the major party in the national coalition government.

Mahathir's criticisms of Badawi centre on the direction of national economic policy. Mahathir, now 81, was prime minister and UNMO leader from 1981 until he retired in October 2003. His tight control over both the government and party was enforced by a highly politicised police and judicial system, anti-democratic internal security laws and a muzzled media that allowed UMNO to dominate the country's economic life and reward those close to it.

Mahathir began bitterly denouncing his chosen successor Badawi, after the government cancelled one of Mahathir's major infrastructure projects—a new bridge linking Malaysia and Singapore. Mahathir described Badawi as a "traitor" for selling out to Singapore over the bridge. He has also attacked the prime minister for cutting tariffs and opening up the auto market, threatening the national carmaker Proton.

In time-honored UMNO fashion, a not-so-quiet whispering campaign, using the Internet and text messaging, began against Badawi's immediate family. Mahathir himself told reporters that Badawi's son-in-law, Khairy Jamaluddin, was handing out government contracts and determining government policy.

Badawi broke his silence by appearing on national television on August 7 to defend his family. Mahathir replied on August 9, claiming that there was proof of a cover up and accusing Badawi of encouraging corruption. After gaining office, Mahathir claimed, Badawi had the Anti-Corruption Agency drop an impending graft case against a former cabinet minister.

This vicious campaign against Badawi recalls Mahathir's ousting of his former deputy Anwar Ibrahim in 1998. Mahathir sacked Anwar, expelled him and his supporters from UMNO. After he began to hold anti-government rallies, Anwar was arrested, beaten and framed up on charges of corruption and sodomy.

Anwar had threatened powerful business interests close to UMNO by championing IMF open market reforms in the wake of the 1997-98 Asian financial crisis. After sacking Anwar, Mahathir pushed through capital and currency controls to protect Malaysian business.

Mahathir views Badawi's economic policies as undermining the very interests that Anwar's expulsion was meant to protect. In another jibe at Badawi, Mahathir declared: "I have helped many people only for them to stab me in the back."

Mahathir still has support inside UMNO, particularly from layers associated with businesses that benefitted from government contracts and other assistance. He has even named a possible replacement for Badawi—Deputy Prime Minister Najib Razak, whose family has interests in the country's largest investment bank and a fisheries conglomerate. Razak has not publicly joined Mahathir's campaign, but neither has he defended Badawi.

Badawi has sought to downplay the quarrel. But some senior UMNO figures have expressed alarm and warned that political instability could deter foreign investment. On August 14, Trade Minister Rafidah Aziz commented: "The economic environment is now changing. It's so volatile, with the Middle East crisis, with oil prices being what they are, we have to manage the economy well."

Badawi has cautiously introduced market reforms to

© World Socialist Web Site

attract foreign investment. He has tried to rein in the budget deficit, not only by dumping major infrastructure projects, but cutting back on government subsidies to UMNO-connected firms. He has attempted to reduce the country's reliance on manufacturing, which accounts for almost one third of GDP, by further developing tourism and banking. He has sought to expand the tertiary education sector and attract foreign students but that has also provoked opposition inside UMNO, which established a preferential system for Malays.

Despite their limited character, Badawi's measures, and promises of more, including the further liberalisation of the banking sector in 2007, have won praise.

BusinessWeek online commented last month: "Under the rule of strongman leader Mahathir Mohammed, Malaysia had a problematic image among foreign investors... That's all starting to change under Malaysian Prime Minister Abdullah Ahmad Badawi... Investors are returning, capital controls were lifted years ago, and last year Malaysia removed the US dollar peg, opting for a managed float of the ringgit."

The article noted there had been a marked increase in foreign direct investment (FDI) in Malaysia, despite fierce competition from China and India. FDI in Malaysia reached $US4.2 billion in 2005, a third of that from the US and mostly in the electronic field. But the magazine also warned: "A protracted wrestling match could undermine business confidence and rattle the financial markets."

The *Bloomberg News* website commented that much of the damage to Asian economies in recent years had come not from economic factors, but political instability. And there were some dark clouds on the horizon. Deutsche Bank chief economist Norbert Walter warned that a predicted US slowdown and high oil prices would see growth in Malaysia reach only 4 percent next year, compared to 5.3 percent in 2005 and a predicted 5.5 percent this year.

At this stage, there does not appear to be significant support inside UMNO or the government to oust Badawi. Such a move would adversely impact on the inflow of foreign investment and on the economy.

Badawi is, however, taking the threat seriously. He brought down a budget on September 1 that will increase spending by 16.5 percent in 2007. The measures are clearly aimed at placating UMNO members affected by previous cutbacks who may have been sympathetic to Mahathir's criticisms. Last month, the prime minister also announced several major infrastructure projects, including an extensive urban development plan in the southern state of Johor, an UMNO stronghold.

At the same time, efforts have been made to prevent Mahathir speaking at the UMNO party congress in November. The former prime minister suffered a humiliating defeat in balloting last weekend for congress delegates in his longtime constituency of Kubang Pasu. Mahathir, who accused the government of pressuring party members not to support him, failed to win one of the seven spots.

Whether Mahathir's challenge now fades away remains to be seen. Economic protectionism is a potent issue among UMNO members. And, as his long record demonstrates, the former prime minister is good at the dirty game of internal party infighting.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site